

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 93-504-C - ORDER NO. 94-264 ✓
APRIL 1, 1994

IN RE: Investigation of Level of Earnings)	ORDER
of GTE South, Inc.)	APPROVING
)	STIPULATION AND
)	GRANTING REQUEST
)	FOR CONTINUANCE

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Commission's August 16, 1993 initiation of a review of the earnings, rate of return, and rates of GTE South, Inc. (the Company or GTE South). This review was prompted as a result of the August 9, 1993 South Carolina Supreme Court decision regarding Incentive Regulation.

The Commission's Executive Director instructed the Company to publish once a week for two consecutive weeks, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The Executive Director also directed the Company to furnish by bill insert or otherwise, a Notice of Filing to all the Company's customers. The purpose of the Notice of Filing was to inform interested parties of the review of GTE's earnings, and the manner and time in which to file the appropriate pleadings for participation in the proceeding. GTE complied with these instructions and provided the Commission with proof of publication of Notice of Filing, and of its issuance of bill inserts.

Petitions to Intervene were filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate), AT&T Communications of the Southern States, Inc. (AT&T), Sprint Communications Company, L.P. (Sprint), MCI Telecommunications Corporation (MCI), and the South Carolina Public Communications Association (SCPCA).

The Commission Staff conducted a thorough audit of the Company's books and records in conjunction with this matter. The Consumer Advocate also conducted extensive discovery as well.

On December 17, 1993, and March 11, 1994, the Company, the Commission Staff, and various other parties of record met at the Commission's offices in Columbia, South Carolina in an attempt to reach an agreed settlement. As a result of those meetings, the Company, Commission Staff, and the other parties of record reached a Stipulation and Settlement Agreement on March 22, 1994, attached hereto as Exhibit A. The Stipulation and Settlement Agreement resolved all issues in this Docket, with the exception of one issue raised by SCPCA. The Stipulation and Settlement Agreement, as filed, provides for \$4.5 million in local refunds, and a \$4.1 million rate reduction on a going forward basis.

The SCPCA takes issue with the refund as it is currently configured. Specifically, SCPCA believes that the Company has underestimated the refund amount going to its COCOT customers. In addition, SCPCA takes issue with the rate design on a going forward basis. Under the stipulation, the SCPCA specifically reserves its right to have these issues heard before the

Commission, and SCPCA has moved for a continuance of the hearing accordingly, so that the Commission may hear these issues.

The Commission has examined the Stipulation and Settlement Agreement of March 22, 1994 and finds that it is fair and equitable to all parties. The Commission commends the parties on their recognition of the public interest in this matter, and believes that the Agreement should be adopted by and made an Order of this Commission, subject to possible further clarification after hearing on the SCPCA matter. The Commission therefore believes that the Stipulation and Settlement Agreement of March 22, 1994 should be approved, subject to possible further clarification as noted above.

Further, the Commission believes that the Motion for Continuance of the South Carolina Public Communications Association should be granted, and that a hearing shall be held at such time as the Staff may designate so that the remaining issues raised by SCPCA may be heard by this Commission.

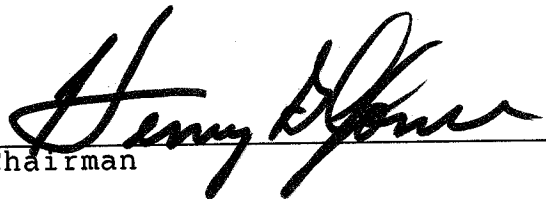
IT IS THEREFORE ORDERED THAT:

1. The Stipulation and Settlement Agreement of March 22, 1994 is hereby approved and made the Order of this Commission, subject to possible further clarification as stated above.
2. The Motion for Continuance by SCPCA is granted.

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3. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 93-504-C
MARCH 22, 1994

IN RE: GTE South, Incorporated -) STIPULATION AND
Investigation of Level of) SETTLEMENT AGREEMENT
Earnings)

I. PROCEDURAL BACKGROUND

On or about August 16, 1993, the South Carolina Public Service Commission (the Commission) initiated a review of the earnings, rate of return and rates of GTE South, Incorporated (the Company or GTE South). The Commission stated that this review was prompted as a result of a recent court decision regarding incentive regulation.¹

The Commission also advised any person who wished to participate in this matter to file Petitions to Intervene on or before November 15, 1993. Subsequently, the Consumer Advocate for the State of South Carolina (Consumer Advocate), AT&T Communications of the Southern States, Inc. (AT&T), Sprint Communications Company L.P. (Sprint), MCI Telecommunications Corporation (MCI), and the South Carolina Public Communications Association (SCPCA) filed timely Petitions to Intervene. The

1. South Carolina Cable Television Assoc. v. Pub. Serv. Comm'n. of South Carolina, Slip Op. No. 23917 (S.C. Aug. 9, 1993).

Commission granted each of these petitions.

On November 16, 1993, the Commission issued a procedural schedule in this matter. The Company was directed to file its direct testimony and exhibits by December 28, 1993. The Commission Staff and all other parties of record were directed to file their testimony and exhibits by January 10, 1994. A hearing in the matter was scheduled for January 24, 1994. Subsequently, the Commission changed the procedural schedule and the Company filed its direct testimony on January 25, 1994 and the Commission Staff and the other parties of record filed their direct testimony on February 11, 1994. The hearing was rescheduled for March 28, 1994.

The Commission Staff conducted a thorough audit of the Company's books and records in conjunction with this matter. The Consumer Advocate also conducted extensive discovery as well.

On December 17, 1993, and March 2 and March 11, 1994, the Company, the Commission Staff and various other parties of record met at the Commission's offices in Columbia, South Carolina in an attempt to reach an agreed settlement. As a result of those meetings the Company, Commission Staff and the other parties of record stipulate and agree as follows:

II. LOCAL REFUND

The Company will make a one time refund of \$4.5 million to its local exchange customers. The Company, Staff and the parties of record, with the exception of the SCPCA, whose position is more fully set forth herein, stipulate and agree that the appropriate method to accommodate the \$4.5 million local refund is described in

an attachment hereto, and identified as Schedule A - Local Refund.²

III. GOING FORWARD REVENUE ADJUSTMENT

In order to produce fair, just and reasonable rates on a going forward basis the Company will reduce its annual revenues by \$4.1 million.³ This rate reduction is more fully described in Section IV. Rate Design.

IV. RATE DESIGN

The Company, Staff and the parties of record, with the exception of the SCPCA, whose position is more fully set forth herein, further stipulate and agree on an appropriate rate design to accommodate the \$4.1 million rate reduction to the Company's annual revenues. As part of this reduction, the Company will file tariff revisions eliminating Touch Calling Service as a separate offering, and providing that customers will receive Touch Calling Service at no charge. The breakdown of the rate reduction is fully

2. The SCPCA takes issue with the refund as it is currently configured on Schedule A - Local Refund. Specifically, SCPCA believes the Company has underestimated the refund amount going to its COCOT customers. The SCPCA specifically reserves its right, pursuant to Paragraph 4, Section VI General Provisions of the Agreement, to have this issue heard before the Commission.

3. In arriving at the revenue adjustment herein the parties utilized different ratemaking techniques. The Company realizes, however, that the Commission and its Staff have a monitoring responsibility vis-a-vis the Company's earnings and in that regard, and without agreeing or acquiescing thereto, the Company does not object to a range on common equity of 11.5% to 12.0% for such monitoring purposes, with a midpoint of 11.75%, utilizing a GTE regulated, domestic telephone operations capital structure. Furthermore, the parties agree that the Staff will monitor the Company's capital structure, including the relationship between the capital structure of the Company and the combined capital structure of the Regulated GTE Domestic Telephone Operating Companies.

described in an attachment hereto, and identified as Schedule B - Reduction to Annual Revenues.⁴

V. OTHER

The Company also agrees that funds paid to its customers pursuant to the Service Performance Guarantee Program approved in Docket No. 93-302-C will be accounted for below the line.

VI. GENERAL PROVISIONS

While the parties understand that the Commission is not bound to accept this agreement, the parties hereto stipulate and agree that the following provisions apply to each section of this Stipulation and Agreement:

1. With the exception of the exact allocation of the \$1.9 million going forward rate reduction, as that relates to the SCPCA's issue in this proceeding, this agreement fully and completely settles each and every issue pertaining to the Company's earnings in this case and in Docket No. 93-616-C, joint application of GTE South, Inc. and Contel of South Carolina, Inc. for the approval of the merger of Contel of South Carolina and GTE South.

2. This Agreement is interdependent and should be accepted by the Commission in its entirety. The rejection of any part of this agreement by the Commission shall be grounds for any party to

4. The SCPCA takes issue with the rate design as it is currently configured on Schedule B - Reduction to Annual Revenues. Specifically, SCPCA believes the Company's COCOT customers should share in the \$1.9 million going forward rate reduction currently reserved to reduce access charges. The SCPCA specifically reserves its right, pursuant to Paragraph 4. Section VI. General Provisions of the Agreement, to have this issue heard before the Commission.

revert to their original positions in this proceeding and this agreement shall then be of no further force or effect.

3. This Agreement is the result of extensive negotiations and no party shall be prejudiced in this, or future proceedings, by their acceptance thereof.

4. This Stipulation and Settlement Agreement covers each and every issue that has been raised between the signatories hereto with the exception of the specific rate structure applicable to COCOTS. AS to the COCOT issue, the parties are free to take such positions as they deem appropriate. Any such positions taken shall not change in any respect the contents of this Agreement or any of the provisions set forth herein, except where such is subsequently modified by the Commission in regard to the specific refund and rate design issues relating to COCOTS, which may be reserved by the SCPCA. In that regard, the Company understands that the SCPCA disputes the manner in which the Company computed the refund amount going to its COCOT customers. The Company believes that the correct refund amount for its COCOT customers, as indicated on Schedule A, is approximately \$70,000. The SCPCA believes the refund amount should be greater than this. For purposes of this Stipulation and Agreement, the Company will hold the \$70,000 COCOT refund in escrow pending a final decision by the Commission as to what the appropriate refund for COCOT customers should be. Should the Commission decide that the refund is greater than the \$70,000 escrow amount, any additional refund amount shall be over and above the \$4.5 million refund currently agreed to herein. Additionally,

the Company understands that SCPCA does not agree that the \$1.9 million going forward rate reduction should apply solely to reduce access charges. The Company and the SCPCA agree that the SCPCA may pursue this issue before the Commission and should the Commission direct the Company to change the manner in which it bills its COCOT customers, such change will be reflected in a going forward rate reduction to the Company's COCOT customers included as part of the \$1.9 million going forward rate reduction. Should the Commission decide that the refund is greater than the \$70,000 escrow amount, GTE agrees that it will pay any additional refund amount as an amount over and above the \$4.5 million refund currently agreed to herein. The parties to this Stipulation agree that the COCOT issue in this Docket will be heard before the Commission in the context of this Docket on the next hearing date scheduled by the Commission.

5. If this Agreement is accepted by the Commission, the parties waive their right to a formal evidentiary hearing and appeal, except as set forth in Paragraph 4 above.

6. The parties further agree that all pre-filed testimony previously submitted in this docket should be formally introduced and made a part of the evidentiary record in this case. Further, the parties stipulate and agree to waive their procedural rights to cross-examination of such testimony, except as to the SCPCA's right to pursue the COCOT issue set forth in Paragraph 4 above.

VII. CONCLUSION

Therefore, the parties stipulate and agree that GTE South,

Incorporated will, as soon as possible, file tariff revisions to revise its intrastate tariffs effective May 1, 1994, in conformity with the attached rate design in Schedule B in order to effect the \$4.1 million reduction to its annual revenues. The parties further stipulate and agree that GTE South, Incorporated will effect the \$4.5 million local refund via credit on customer bills, consistent with the rate design contained in Schedule A, as soon as such can be accomplished after Commission approval of this Agreement.

AGREED AND ACCEPTED this the 22 day of March, 1994.

SOUTH CAROLINA PUBLIC SERVICE
COMMISSION - STAFF

BY: 2. David Butler

GTE SOUTH INCORPORATED

BY: _____

CONSUMER ADVOCATE FOR THE STATE
OF SOUTH CAROLINA

BY: Elliott T. Ham, Jr.

AT&T COMMUNICATIONS OF THE
SOUTHERN STATES, INC.

BY: Gregory R. Follenaber

SPRINT COMMUNICATIONS
COMPANY L.P.

BY: _____

MCI TELECOMMUNICATIONS
CORPORATION

BY: _____

SOUTH CAROLINA PUBLIC
COMMUNICATIONS ASSOCIATION

BY: John F. Beach

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MARCH 22, 1994
PAGE 7

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AGREED AND ACCEPTED this the 22 day of March, 1994.

SOUTH CAROLINA PUBLIC SERVICE
COMMISSION - STAFF

BY: _____

GTE SOUTH INCORPORATED

BY: [Signature]

CONSUMER ADVOCATE FOR THE STATE
OF SOUTH CAROLINA

BY: _____

AT&T COMMUNICATIONS OF THE
SOUTHERN STATES, INC.

BY: _____

SPRINT COMMUNICATIONS
COMPANY L.P.

BY: _____

MCI TELECOMMUNICATIONS
CORPORATION

BY: _____

SOUTH CAROLINA PUBLIC
COMMUNICATIONS ASSOCIATION

BY: _____

FROM: SC PUBLIC SERV COMM

TO:

803 779 3256

MAR 18, 1994 8:58AM #841 P.07

CONSUMER ADVOCATE FOR THE STATE
OF SOUTH CAROLINA

BY: _____

AT&T COMMUNICATIONS OF THE
SOUTHERN STATES, INC.

BY: _____

SPRINT COMMUNICATIONS
COMPANY L P.

BY: Charlene R. Bryant

MCI TELECOMMUNICATIONS
CORPORATION

BY: _____

SOUTH CAROLINA PUBLIC
COMMUNICATIONS ASSOCIATION

BY: _____

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AGREED AND ACCEPTED this the 22 day of March, 1994.

SOUTH CAROLINA PUBLIC SERVICE
COMMISSION - STAFF

BY: _____

GTE SOUTH INCORPORATED

BY: _____

CONSUMER ADVOCATE FOR THE STATE
OF SOUTH CAROLINA

BY: _____

AT&T COMMUNICATIONS OF THE
SOUTHERN STATES, INC.

BY: _____

SPRINT COMMUNICATIONS
COMPANY L.P.

BY: _____

MCI TELECOMMUNICATIONS
CORPORATION

BY: Matthe McMillin

SOUTH CAROLINA PUBLIC
COMMUNICATIONS ASSOCIATION

BY: _____

GTE South - South Carolina
Refund Calculation

Schedule A
Page 1 of 3

Description	9/93 Units	Monthly Rate	Refund Amount	Refund Rate
1 Basic Local Exchange Service				
2 Rate Group 1				
3 Business				
4 Individual Access Line	2,139	\$29.74	\$92,768	\$43.37
5 Manual Access Line	880	\$29.74	\$38,166	\$43.37
6 Automatic Access Line				
7 First 10 Lines	160	\$53.30	\$12,438	\$77.74
8 Additional Lines	72	\$41.52	\$4,360	\$60.56
9 Semi-Public Coin Access Line	37	\$59.95	\$3,235	\$87.44
10 Residence				
11 Individual Access Line	14,582	\$13.68	\$290,911	\$19.95
12 Manual Access Line	128	\$23.55	\$4,397	\$34.35
13 Total Rate Group 1	17,998		\$446,275	
14				
15 Rate Group 2				
16 Business				
17 Individual Access Line	17,571	\$33.34	\$854,478	\$48.63
18 Manual Access Line	11,669	\$33.34	\$567,463	\$48.63
19 Automatic Access Line				
20 First 10 Lines	2,707	\$59.44	\$234,670	\$86.69
21 Additional Lines	822	\$46.13	\$55,304	\$67.28
22 Semi-Public Coin Access Line	242	\$66.61	\$23,510	\$97.15
23 Residence				
24 Individual Access Line	93,225	\$15.96	\$2,170,278	\$23.28
25 Manual Access Line	707	\$26.11	\$26,923	\$38.08
26 Total Rate Group 2	126,943		\$3,932,626	

GTE South - South Carolina
Refund Calculation

Schedule A
Page 2 of 3

Description	9/93 Units	Monthly Rate	Refund Amount	Refund Rate
27 Foreign Exchange Service				
28 Rate Group 1				
29 Business				
30 Individual Access Line	6	\$29.74	\$260	\$43.37
31 Manual Access Line	16	\$29.74	\$694	\$43.37
32 Automatic Access Line				
33 First 10 Lines	6	\$53.30	\$466	\$77.74
34 Additional Lines	0	\$41.52	\$0	\$60.56
35 Residence				
36 Individual Access Line	0	\$13.68	\$0	\$19.95
37 Manual Access Line	0	\$23.55	\$0	\$34.35
38 Total Rate Group 1	28		\$1,420	
39				
40 Rate Group 2				
41 Business				
42 Individual Access Line	79	\$33.34	\$3,842	\$48.63
43 Manual Access Line	191	\$33.34	\$9,288	\$48.63
44 Automatic Access Line				
45 First 10 Lines	50	\$59.44	\$4,335	\$86.69
46 Additional Lines	0	\$46.13	\$0	\$67.28
47 Residence				
48 Individual Access Line	0	\$15.96	\$0	\$23.28
49 Manual Access Line	0	\$26.11	\$0	\$38.08
50 Total Rate Group 2	320		\$17,465	

GTE South - South Carolina
Refund Calculation

Schedule A
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Description	9/93 Units	Monthly Rate	Refund Amount	Refund Rate
51 Public Telephone Access Service				
52 Individual Access Line				
53 Rate Group 1	107	\$29.74	\$4,641	\$43.37
54 Rate Group 2	1,381	\$33.34	\$67,158	\$48.63
55				
56 CentraNet Service				
57 Network Access Register				
58 Rate Group 1				
59 First 10	43	\$49.76	\$3,121	\$72.57
60 Additional	0	\$37.98	\$0	\$55.39
61 Rate Group 2				
62 First 10	284	\$55.90	\$23,155	\$81.53
63 Additional	17	\$42.59	\$1,056	\$62.12
64				
65 Sharing and Resale of Exchange Services				
66 Individual Access Line				
67 Rate Group 1	0	\$29.74	\$0	\$43.37
68 Rate Group 2	71	\$33.34	\$3,453	\$48.63
69				
70 Total			\$4,500,370	

Schedule B

Reduction to Annual Revenue

A. Elimination of Touch call charges (\$2.2) million

B. Reduction of Flat Rate CCL charge

Present Rate \$7.43 per access line per month
Proposed Rate \$5.932 per access line per month

InterLATA impact	(\$1.459) million
IntraLATA impact	<u>(\$0.441) million</u>
Total CCL reduction	(\$1.900) million

Total Revenue reduction (A+B) (\$4.1) million